

DEWEY BALLANTINE

MEMORANDUM

CONFIDENTIAL

TO: LAKAH GROUP

FROM: DEWEY BALLANTINE

CC: NOMURA INTERNATIONAL PLC

DATE: May 17, 1999

RE: DUE DILIGENCE CHECKLIST

In connection with the legal and financial due diligence review and examination being conducted by Nomura International plc ("Nomura") with respect to the proposed issuance of GDRs representing shares of Lakah Group (the "Company"), a request is being made of appropriate officials of the Company and Company counsel for the following documents and materials be delivered. (This checklist may contain requests for items covered by the Outline of Information submitted herewith or which may not be available; in such instance, please specify the cross-reference or, if appropriate, state "not applicable".) References to the Company include references to the Company's subsidiaries including Medequip for Trading & Contracting, Trading Medical System Egypt, Medical Centers Management Company, Arab Steel Factory, American Company for Marketing, Scandinavian Co. for Investment & Touristic Development, Quest Consult, Empain for Real Estate Investment and Amitrade for Trading & Contracting (together the "Group Companies").

Please bear in mind that this is a preliminary request, and we may request additional documents or other information as our review proceeds.

Legal A. CORPORATE ORGANIZATION MATTERS

1. The constituent documents (with all amendments to date) of the Company and the Group Companies and their respective Egyptian and non-Egyptian operating subsidiaries.
2. Copies of minutes of the meetings for the last three years (or shorter period if the Company or the Group Companies have been in existence for under three years) of:
 - a. Board of Directors of the Company and the Group Companies;

- b. any committees of the Board of Directors of the Company and the Group Companies;
- c. shareholders of the Company and the Group Companies (ordinary and special).

3. Any annual and interim reports of the Company and the Group Companies and any other communications to shareholders of the Company and the Group Companies in the last three years.

4. ✓ List of current shareholders (specifying their respective shareholding), directors and principal executive officers of the Company and the Group Companies together with copies of such director's and principal executive officers' respective employment contracts. Describe principal business activities of shareholders outside of the Company and the Group Companies and outline any areas of conflict, including in terms of allocation of business opportunities.

5. A diagram or chart illustrating the corporate structure of the Company as a whole indicating the nature of the business of each Group Company.

6. ✓ Copies of the Company's and the Group Companies' stock books, stock ledgers and other records of share and securities issues, and any form of stock certificates (if applicable).

B. FINANCIAL MATTERS

I. Operating Results

1. Copies of all reports by internal and external accountants and auditors to management of the Company and the Group Companies during the last three fiscal years. ✓

2. Copies of the Company's and the Group Companies' year end financial statements (including income statements, balance sheets, and cash flow statements), for the last three years. ✓

3. Capital Expenditure requirements for the next three years. General

4. Brief description and book and market values of all material investments as at December 31, 1998 or latest available date.

II. Indebtedness, Obligations, and Financings

1. List all outstanding borrowings of the Company and the Group Companies (whether or not in the ordinary course of business activities), whether secured or unsecured, whether long- or short-term. Provide all documents and agreements evidencing such borrowing, including loan and credit agreements, security agreements, indentures, mortgages, installment purchase agreement, performance bonds, debentures, promissory notes, and other evidences of indebtedness, and all related guarantees.

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2. List and copies of all documents and agreements evidencing other material financing arrangements of the Company or the Group Companies including installment purchases, equipment leases, etc.

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3. List all contingent obligations of or relating to the Company and the Group Companies (including guarantees, letters of credit, etc.) other than those entered into in the ordinary course of the Company's or the Group Companies' business and provide copies of instruments under which such obligations were created.

Manager

4. Provide schedule of outstanding indebtedness as at December 31, 1998 or latest available date.

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5. Provide detailed schedule of loans and other advances made by Company and the Group Companies to any Officers and Directors.

(# date Enpt)

III. Taxation

1. Provide copies of tax returns filed by the Company and the Group Companies for the past three fiscal years.
2. Provide a summary of special tax considerations.
3. Provide copies of any agreements or waivers extending the statutory period of limitations applicable to any tax return.

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GENERAL BUSINESS INFORMATION

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1. Provide copies of strategic business plans for the past two years and for 1999, if available.
2. Provide copies of significant management reports or letters to senior management concerning the operation and performance of the Company and the Group Companies during the last three years.

3. Provide copies of analyses of the Company and the Group Companies prepared in the past three years by credit rating agencies, investment bankers, engineers, management consultants, accountants or others, including marketing studies, credit reports and other types of reports, financial or otherwise, to the extent available to the Company or the Group Companies. Provide copies of materials submitted to credit rating agencies.

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4. Provide copies of any recent significant newspaper and magazine articles (in trade or other publications) relating to the business of the Company and the Group Companies.

D. SCOPE OF ACTIVITIES

Legal

1. List all jurisdictions in which the Company and Group Companies are registered or qualified to do business or are otherwise engaged in business.

Legal 2.

List all jurisdictions in which the Company and Group Companies have, in any of the last three years, filed a tax return.

E. CERTAIN CONTRACTS AND ARRANGEMENTS¹

Legal 1.

Provide copies of all joint venture, partnership, or other material management agreements to which the Company or any of the Group Companies are a party.

Legal 2.

Description of any arrangements, understandings, agreements or contracts restricting the ability of the Company and the Group Companies to compete in any line of business with any person, or committing the Company or the Group Companies to continue in any line of business.

Legal

3. Provide copies of (a) all agreements under which the Company and the Group Companies or any of the Company's and the Group Companies' significant shareholders are obligated to indemnify, or make payment to, any party and (b) all contracts or agreements evidencing any indebtedness or contingent obligation of the Company and the Group Companies which is or may be in excess of \$100,000.

Legal

4. Provide copies of all agreements with any current or former officer, director, employee, consultant or shareholder or any partnership, corporation, joint venture or other entity in which any such person has an interest.

Legal

5. Provide copies of all other contracts, agreements or relationships involving the Company and the Group Companies, not covered elsewhere in this memorandum, which require payments by the Company and the Group Companies of greater than \$100,000 to any one person or group of persons or which cannot be terminated at will by the Company and the Group Companies on less than three months notice.

Legal

6. Description of any facts or circumstances which may give rise to the cancellation or termination of, or claim for damages or loss under, any of the agreements, arrangement or understandings referred to therein.

F. PROPERTIES AND LEASES

I. Real Property

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1. Provide a summary description of all office and branch facilities, factories, warehouses, vacant land or other real property owned, leased or otherwise used or occupied (in whole or in part) by the Company and the Group Companies. Indicate with respect to each parcel of land:

(i) The nature of the interest in the property (e.g., owned, co-owned, leased, sub-leased, etc.);

¹ Reference to agreements or contracts include any and all amendments thereto.

- (ii) the number of buildings or structures (with a general description) located there.

Provide a description of any liens or potential condemnation or expropriation proceedings affecting the Company and the Group Companies and its significant facilities.

II. Personal Property and Equipment

List and copies of all leases for any other contract to which the Company and the Group Companies are a party relating to personal property having a value in excess of \$100,000 highlighting term and escalation clauses, if any.

III. Trademarks

1. Copies of all trademarks, service marks, trademark and service mark registrations, trade names and copyrights owned or used in the business of the Company and the Group Companies including a brief description of use, registration number and date of issuance of registration, name and address of any person to or from whom such, trademark, service mark, trade name or copyright is licensed, and brief description of such arrangement. Provide copy of logo for inclusion in offering circular.

2. Description of all royalty and license agreements involving the Company and the Group Companies.

3. List of any actual or threatened "infringement" proceedings (brought either by or against the Company and the Group Companies or against any respective licenses or licensors) with respect to any rights or other know-how or trade secrets owned or used by the Company and the Group Companies.

G. ENVIRONMENTAL ISSUES

Discuss any environmental matter which affects the Company and the Group Companies or their respective properties.

H. LITIGATION

1. Provide a summary of each threatened, actual, or pending claim, lawsuit, arbitration, or investigation (including governmental matters) involving a claim for relief of \$100,000 or more, or otherwise relating to the Company and the Group Companies or its activities, including the court in which the action was commenced in, its parties, remedies sought, nature of action.

2. Description of any judgment, decrees, or orders to which the Company or any of the Group Companies presently is, or during the last three years has been, subject.

3. List of litigations, settlements or any waiver or agreements canceling any claim of substantial value over the past three years.

4. *hsal* Provide copies of all letters from the Company's and the Group Companies' attorneys to the Company's and the Group Companies' independent public accountants regarding litigation with the Company and the Group Companies and its subsidiaries for the last two years.

I. INSURANCE

1. *Meelhat* List all product liability, property, casualty, and other insurance policies held by the Company and the Group Companies, including limits of coverage, policy dates, premiums and insurance brokers, together with a description of any interdivision or intercorporate charges in connection therewith.
2. Describe claims made by the Company and the Group Companies under the insurance policies carried by the Company or the Group Companies over the past three years in which the amount claimed with respect to products exceeded \$100,000.
3. Describe any self-insurance programs of the Company or the Group Companies and all risks with respect to which there exists self-insurance.

J. MANAGEMENT AND EMPLOYEES

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I. *Officers and Directors*

1. Names of the directors and senior management of the Company and the Group Companies and aggregate compensation (including bonuses and perquisites for senior management) for 1998 and 1999.
2. Provide summary of biographies of senior management.
3. Provide copies of employment contracts with directors and senior management of the Company and the Group Companies and description of current duties.
4. Provide a schedule of the total number of employees by location and occupation.

II. *Union Contracts and Labor Disputes*

1. *du* Provide copy of all labor union contracts and collective bargaining arrangements entered into by the Company and the Group Companies, the number of employees covered by each such agreement, and the anticipated expiration dates of the contracts.
2. Provide a description of all pending or threatened labor strikes or other labor trouble experienced by the Company and the Group Companies during the past three fiscal years.

III. Employee Matters

Provide copies of all bonus, stock option, stock purchase, or other plans or incentive compensation programs and practices involving any employee of the Company and the Group Companies; describe method and terms of current ownership of stock by Company's and the Group Companies' employees.

K. REGULATORY MATTERS

1. List all governmental and regulatory agency permits, licenses, approvals, consents and similar rights obtained or that should be obtained in connection with the business of the Company and the Group Companies.

2. Describe any proceeding, allegation or claim that the Company and the Group Companies is acting in violation of any law, regulation, ordinance or other requirement of any governmental authority.

3. A brief description of the differences between IAS and Egyptian Accounting Standards.

L. U.S. LEGAL MATTERS

1. A schedule of any ownership interests in the Company and the Group Companies by nationals of, corporations domiciled in, or the governments of, Iran, Iraq, Libya or Sudan, and the degree to which these entities exercise control over any parties to the proposed global offering, either through election of directors, voting rights or direct management participation.

2. A schedule of any interests held by the Company and the Group Companies in any entity within Iran, Iraq, Libya or Sudan, including but not limited to, the extent of such interests owned, the nature of such interest, the contribution of such interest to the owner's businesses and future plans related to such interests.

3. A description of any business conducted with Iranian, Iraqi, Sudanese and Libyan interests by the Company and the Group Companies, together with the revenues thereby earned, the total percentage of business conducted with such interests by the business as a whole, and future plans concerning continued business with these interests.

4. A list of any Iranian, Iraqi, Libyan or Sudanese interests that will benefit from the proposed global offering and a statement of proceeds that will be used in connection with such interests, as well as a description of the specific uses intended.

M. MISCELLANEOUS

1. Any reports prepared for the Board of Directors of the Company and the Group Companies (either internally, by external accountants or otherwise) relating to internal corporate controls and details of any significant internal

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corporate control procedures, including any related monitoring programs to the extent of changes, amendments or additions in the last three years.

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2. Any compliance reports submitted by the Company or the Group Companies or their independent public accountants, to any external creditors, banking or securities authorities or the Cairo Stock Exchange.

3. Details of internal credit and other risk controls and of documentation controls.

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4. All material agreements or undertakings (or other memoranda of understanding) between the Company and the Group Companies and any Egyptian or other governmental entity or subdivision thereof or any regulatory authority.

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5. Prospectuses, offering circulars, private placement memoranda and other offering documents relating to any securities offerings or issuances by the Company and the Group Companies.

6. All documents and agreements relating to the issuance of debt securities or evidencing material borrowings, whether secured or unsecured, by Company and the Group Companies.

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7. Copies of any contracts or merger agreements entered into within the past three years pursuant to which the Company and the Group Companies were acquired or acquired any business which now constitutes a portion of the Company or any Group Company.

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8. List of holders and copies of stock option agreements, if any, for any options to purchase securities of the Company or to receive a percentage of the Company's profits, including name, number of options held, option prices, and date(s) of grant.